

INDEPENDENT AUDITOR'S REPORT

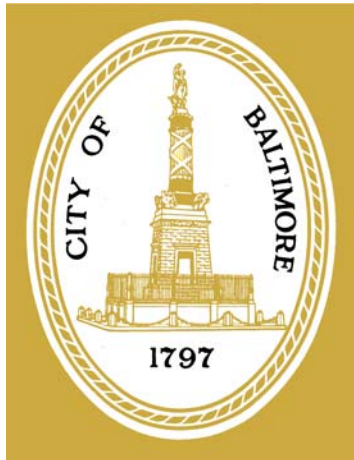
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**BOARD OF LIQUOR LICENSE COMMISSIONERS**

FOR THE FISCAL YEARS ENDED

JUNE 30, 2003 AND 2002

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**City of Baltimore  
Department of Audits**

**AUDIT REPORT  
BOARD OF LIQUOR LICENSE COMMISSIONERS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002**

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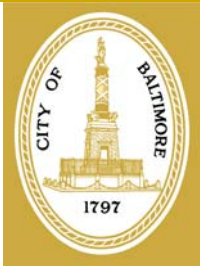
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ANNUAL FINANCIAL REPORT  
OF THE  
BOARD OF LIQUOR LICENSE COMMISSIONERS  
FOR THE FISCAL YEARS ENDED  
JUNE 30, 2003 AND 2002

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## CITY OF BALTIMORE

MARTIN O'MALLEY, Mayor



## DEPARTMENT OF AUDITS

YOVONDA D. BROOKS, CPA  
City Auditor

Room 321, City Hall  
Baltimore, Maryland 21202  
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### INDEPENDENT AUDITOR'S REPORT

April 30, 2004

Honorable Joan M. Pratt, Comptroller  
And Other Members of the  
Board of Estimates  
City of Baltimore

We have audited Exhibit A, the Board of Liquor License Commissioners' Comparative Statement of Revenues Collected and Expenditures Arising from Cash Transactions for the Fiscal Years Ended June 30, 2003 and 2002. This financial statement is the responsibility of the Board of Liquor License Commissioners' management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, the financial statement was prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues collected and expenditures made during the fiscal years ended June 30, 2003 and 2002, on the basis of accounting described in Note 2.

Our audit was made for the purpose of forming an opinion on the financial statement taken as a whole. The supporting schedules, as listed in the table of contents, are presented for

purposes of additional analysis and are not a required part of the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly presented in all material respects in relation to the financial statement taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2004, on our consideration of the Board of Liquor License Commissioners' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the Board of Liquor License Commissioners, State of Maryland, and the City of Baltimore management and is not intended to be and, should not be, used by anyone other than these specified parties.

Respectfully submitted,

Yovonda D. Brooks, CPA  
City Auditor

EXHIBIT A

BOARD OF LIQUOR LICENSE COMMISSIONERS  
COMPARATIVE STATEMENT OF REVENUES COLLECTED AND EXPENDITURES  
ARISING FROM CASH TRANSACTIONS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

	2003	2002	NET CHANGE INCREASE (DECREASE)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Revenues:			
Alcoholic Beverage Licenses.....	\$ 1,622,362	\$ 1,675,236	\$ (52,874)
Liquor Board Advertising Fees.....	63,997	69,028	(5,031)
Liquor Board Fines.....	123,180	193,865	(70,685)
Liquor Board Late Renewal Fees.....	27,525	20,000	7,525
Liquor Board Reporting Fees.....	2,048	3,207	(1,159)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Revenues.....	<u>\$ 1,839,112</u>	<u>\$ 1,961,336</u>	<u>\$ (122,224)</u>
Expenditures:			
Salaries.....	\$ 1,186,882	\$ 1,105,778	\$ 81,104
Other Personnel Costs.....	301,615	339,420	(37,805)
Contractual Services.....	154,312	132,996	21,316
Materials and Supplies.....	8,617	6,353	2,264
Equipment - Replacement.....	2,135	435	1,700
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Expenditures.....	<u>\$ 1,653,561</u>	<u>\$ 1,584,982</u>	<u>\$ 68,579</u>
Excess of Revenues (Expenditures).....	<u>\$ 185,551</u>	<u>\$ 376,354</u>	<u>\$ (190,803)</u>

See notes to financial statement.

**BOARD OF LIQUOR LICENSE COMMISSIONERS**  
**Notes to Financial Statement**

1. Background

The Board of Liquor License Commissioners for Baltimore City (Board) is an agency of the State of Maryland and therefore is not subject to the direct supervision of the Mayor and City Council. However, the revenues from issuance of licenses are remitted to the City of Baltimore (City), and all expenditures of the Board are paid by the City.

Under the provisions of the Annotated Code of Maryland Article 2B, Section 10-202, the Board has the responsibility to assure all applicants meet the requirements for issuing licenses before certificates are issued. All licensing fees are paid directly to the City's Director of Finance.

As of June 1, 1999, the Board became the licensing and regulatory agency for adult entertainment businesses. The jurisdiction was transferred from the Department of Housing and Community Development through City of Baltimore Ordinance 99-417, Council Bill 98-859.

2. Significant Accounting Policies

The Board's policy is to prepare its financial statement on the cash basis; consequently, certain revenues are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred. Accordingly, the accompanying financial statement does not purport to present financial position and results of operations on the accrual basis of accounting.

Encumbrances charged to the Board's appropriation accounts are not reflected in the financial statement.

3. Rates of License Fees

The following license fee rates were in effect for fiscal year 2003.

<u>License Class and Description</u>		<u>Symbol</u>	<u>Rate</u>
<i>Beer and Light Wine</i>			
Class A	Off Sale - Package Goods	WA	\$110
Class A	Off Sale - Supplemental to WA (per Sunday)	WAS	50
Class B	On Sale - Restaurant	WB	165
Class C	On Sale - Club	WC	82.50
Class C	On Sale - One Day	WS	25
Class D	On Sale - Tavern	WD	165

<u>License Class and Description</u>	<u>Symbol</u>	<u>Rate</u>
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*Beer, Wine and Liquor*

Class A	Off Sale - Package Goods	LA	\$715
Class A-2	Off Sale - Package Goods	LA-2	715
Class A	Off Sale - Supplemental to LA (per Sunday)	LAS	50
Class B	On Sale - Restaurant	LB	1,100
Class B	On Sale - Hotel and Motel	LBHM	5,500
Class B	On Sale - Arena License	LBAL	10,000
Class B	On Sale - Racetrack (per day)	LBRL	55
Class C	On Sale - Club	LC	550
Class C	On Sale - One Day	LS	50
Class D	On Sale - Tavern	LD	687.50
Class D	On Sale – Supplemental to LD (per Sunday)	LDS	75
Class BD-7	On Sale - Special License (including amusement license)	LBD7	1,320

The following annual license fees are also applicable:

Adult entertainment establishments	\$1,000
License extension	100
Transfer license	100
Advertising fee	300
Substitution transaction	150
Off-premises catering privileges	500

The Board has the authority to assess a late charge at the rate of \$50 per day for each day that an application for renewal is filed late. The late charge assessed may not exceed \$1,500. Applications for renewal must be filed during the month of March each year.



BOARD OF LIQUOR LICENSE COMMISSIONERS  
SCHEDULE OF REVENUES, EXPENDITURES AND ENCUMBRANCES  
BUDGET AND ACTUAL  
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

	2003			2002		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Alcoholic Beverage Licenses.....	\$ 1,560,000	\$ 1,622,362	\$ 62,362	\$ 1,560,000	\$ 1,675,236	\$ 115,236
Liquor Board Advertising Fees.....	80,000	63,997	(16,003)	80,000	69,028	(10,972)
Liquor Board Fines.....	100,000	123,180	23,180	100,000	193,865	93,865
Liquor Board Late Renewal Fees.....		27,525	27,525		20,000	20,000
Liquor Board Reporting Fees.....		2,048	2,048		3,207	3,207
Total Revenues.....	<u>\$ 1,740,000</u>	<u>\$ 1,839,112</u>	<u>\$ 99,112</u>	<u>\$ 1,740,000</u>	<u>\$ 1,961,336</u>	<u>\$ 221,336</u>
Expenditures and Encumbrances:						
Salaries and Wages.....	\$ 1,167,176	\$ 1,183,258	\$ (16,082)	\$ 1,098,938	\$ 1,116,628	\$ (17,690)
Other Personnel Costs.....	297,876	302,715	(4,839)	327,401	339,436	(12,035)
Contractual Services.....	156,875	145,355	11,520	158,975	141,953	17,022
Materials and Supplies.....	13,000	8,617	4,383	12,000	6,353	5,647
Furniture and Equipment.....	8,000	2,135	5,865	7,000	435	6,565
Total Expenditures and Encumbrances.....	<u>\$ 1,642,927</u>	<u>\$ 1,642,080</u>	<u>\$ 847</u>	<u>\$ 1,604,314</u>	<u>\$ 1,604,805</u>	<u>\$ (491)</u>
Excess of Revenues Over Expenditures and Encumbrances.....	<u>\$ 97,073</u>	\$ 197,032	<u>\$ 99,959</u>	<u>\$ 135,686</u>	\$ 356,531	<u>\$ 220,845</u>
Adjustments to Conform to Cash Basis:						
Elimination of Effect of Encumbrances.....		(8,956)			8,956	
Elimination of Effect of Accruals.....		(2,525)			10,867	
Excess of Revenues Over Expenditures - Cash Basis.....		<u>\$ 185,551</u>			<u>\$ 376,354</u>	

SCHEDULE II

BOARD OF LIQUOR LICENSE COMMISSIONERS  
SUMMARY OF RECEIPTS AND DISBURSEMENTS OF APPEAL FEES ACCOUNT  
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

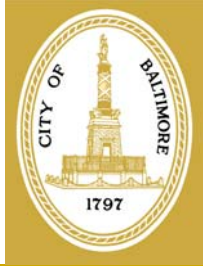
Cash Balance - July 1, 2001.....			\$ 1,215
Appeal Account Receipts - Appeal Fees Fiscal Year 2002.....			<u>200</u>
Total To Be Accounted For.....			1,415
Disbursements:			
Bank Service Charges.....	\$ 17		
Payments.....	846		
Transfer to City to close account on 2/7/02.....	<u>552</u>		<u>1,415</u>
Cash Balance - June 30, 2002.....			<u>\$ -</u>
Cash Balance - June 30, 2003.....			<u>\$ -</u>

AUDITOR'S REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF A FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS  
FOR  
BOARD OF LIQUOR LICENSE COMMISSIONERS  
FOR THE FISCAL YEARS ENDED  
JUNE 30, 2003 AND 2002

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CITY OF BALTIMORE

MARTIN O'MALLEY, Mayor



DEPARTMENT OF AUDITS

YOVONDA D. BROOKS, CPA  
City Auditor

Room 321, City Hall  
Baltimore, Maryland 21202  
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**AUDITOR'S REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF A FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

April 30, 2004

Honorable Joan M. Pratt, Comptroller  
And Other Members of the  
Board of Estimates  
City of Baltimore

We have audited Exhibit A, the Board of Liquor License Commissioners' Comparative Statement of Revenues Collected and Expenditures Arising from Cash Transactions for the Fiscal Years Ended June 30, 2003 and 2002, and have issued our report thereon dated April 30, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Board of Liquor License Commissioners' financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board of Liquor License Commissioners' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal

control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the specific internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted another matter involving the internal control over financial reporting and its operation that is reported as Condition I in the accompanying schedule of internal control findings.

We also followed up on the prior year's findings that were discussed in our prior audit report. We are reporting on these matters in Attachment I of this report.

This report is intended solely for the information and use of the Board of Liquor License Commissioners, State of Maryland, and the City of Baltimore management and is not intended to be, and should not be, used by anyone other than these specified parties.

Respectfully submitted,

Yovonda D. Brooks, CPA  
City Auditor

## **SCHEDULE OF INTERNAL CONTROL FINDINGS**

### **OTHER MATTERS INVOLVING INTERNAL CONTROLS**

#### **Condition I – Leave Time Noted in the Payroll Attendance Reports was not Supported by Approved Leave Request Forms and Employee Sign-In Sheets were not Complete**

The Board of Liquor License Commissioners did not adhere to policies and procedures established by the City regarding the maintenance of payroll attendance records and related supporting documentation. We selected two pay periods during fiscal year 2003 and reviewed the payroll and its support for each of the Board's employees. We found exceptions involving lack of supporting documentation for leave usage and lack of adherence to sign-in/out procedures.

According to the Administrative Manual of the City of Baltimore, Section 204-17, all agencies are required to keep a detailed record of each employee's attendance. There must be documentation on file to support the information in the attendance record. Copies of Payroll Attendance Reports (PARs) alone are insufficient as evidence of employee time and attendance.

For three of the eighty-two employees included in the pay periods selected, leave time recorded on the Payroll Attendance Report was not supported by leave request forms. Additionally, there were 58 instances, 34 on the day shift and 24 on the night shift, where employees of the Board's Inspection Division did not record their time out.

We recommend that the Board implement internal controls to provide support for the attendance of all its employees, including approved leave requests and adherence to sign-in/out procedures. This may be accomplished through the following:

- Enforcement of the sign-in/sign-out policy indicating times of arrival and departure as well as time of call-out from employees in the field.
- Leave time used and compensatory time earned should be indicated on the sign-in/sign-out attendance sheet in an area designated for that purpose.
- Completed leave request and compensatory time earned forms should be kept on file for all leave time indicated on the PARs, including sick time. Appropriate approval signatures should be obtained for each leave request form.

These records should be maintained by the payroll clerk in an orderly fashion and retained in the Board's files for a minimum of three years or until the audit for that fiscal year has been performed, whichever is later.

ATTACHMENT I  
BOARD OF LIQUOR LICENSE COMMISSIONERS  
FISCAL YEAR ENDED JUNE 30, 2003  
STATUS OF PRIOR YEAR'S  
FINDINGS AND RECOMMENDATIONS  
  
(Findings not considered to have a material effect  
on the financial statement)

## ATTACHMENT I

### **BOARD OF LIQUOR LICENSE COMMISSIONERS FISCAL YEAR ENDED JUNE 30, 2003 STATUS OF PRIOR YEAR'S FINDINGS AND RECOMMENDATIONS**

#### Condition I – Adequate Segregation Of Duties Was Not Maintained

As part of our fiscal year 2002 audit, we found that there was a lack of segregation of duties regarding the work performed by the Accounting Assistant II. Her duties included: maintaining revenue records; preparing the Monthly Budget Reports; performing the revenue reconciliations; preparing cash deposit slips and delivering revenues to the City's Collections Division, and retrieving the agency copies of licenses from the Collections Division.

#### Current Audit Status

The responsibilities for preparing cash deposit slips, delivering revenues to the City's Collections Division, and retrieving the agency copies of licenses from the Collections Division, were removed from the Accounting Assistant II during fiscal year 2003. This finding has therefore been resolved.

#### Condition II – Underlying Time Records Did Not Support Payroll Attendance Report Information

As part of our fiscal year 2002 audit, we found that the Board did not adhere to policies and procedures established by the City regarding the maintenance of payroll attendance records and related supporting documentation.

#### Current Audit Status

We noted a similar finding during fiscal year 2003 and have included this as Condition I in this report.



## **EXIT CONFERENCE**

An exit conference was held at the offices of the Board of Liquor License Commissioners on May 26, 2004. Those in attendance were:

Nathan C. Irby, Jr.  
Jane M. Schroeder  
Robert McCarty  
Jerry Domonkos  
Todd Taylor

Board of Liquor License Commissioners  
Board of Liquor License Commissioners  
Baltimore City Department of Audits  
Baltimore City Department of Audits  
Baltimore City Department of Audits

Audit findings and recommendations were discussed. The Board of Liquor License Commissioners responded in writing to this audit report. The Board's response is included as Appendix I of this report.

## APPENDIX I

### BOARD OF LIQUOR LICENSE COMMISSIONERS' RESPONSE TO THIS REPORT

MARK S. FOSLER  
CHAIRMAN  
  
COMMISSIONERS  
CLAUDIA L. BROWN  
JOHN A. GREEN, SR.



NATHAN C. IRBY, JR.  
EXECUTIVE SECRETARY  
  
JANE M. SCHROEDER  
DEPUTY EXECUTIVE SECRETARY

STATE OF MARYLAND  
**BOARD OF LIQUOR LICENSE COMMISSIONERS**  
FOR BALTIMORE CITY  
SUITE 200, 10 SOUTH STREET  
BALTIMORE, MARYLAND 21202-3258  
(410) 396-4377  
FAX (410) 396-4382

May 27, 2004

Yovonda D. Brooks, CPA  
City Auditor  
100 N. Holliday Street  
Baltimore, Maryland 21202

Re: Reportable Condition

Dear Ms. Brooks:

This letter is written in response to condition identified in the auditor's report for the Board of Liquor License Commissioners for the period ending June 30, 2003 and 2002.

**Condition I – Leave Time Noted in the Payroll Attendance Reports was not Supported by Approved Leave Request Forms and Employee Sign-In Sheets were not Complete**

The Board acknowledges that there continues to be a problem concerning leave request forms and sign in by some employees. In the past, memos had been distributed to all full time employees emphasizing the importance of signing in and out on a daily basis and submitting leave requests to use accumulated leave. Although there was some improvement in this area, this matter will again be reviewed with all employees and supervisors will be counseled as to their responsibilities in this matter. It is the agency's intention to have all employees comply with the requirements concerning signing in and out and completing leave request forms.

Very truly yours,

Nathan C. Irby, Jr.  
Executive Secretary